

1978

CANADA MALTING CO. LIMITED

**NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING
OF SHAREHOLDERS AND MANAGEMENT
PROXY CIRCULAR**

**NOTICE OF ANNUAL AND SPECIAL
GENERAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the Annual and Special General Meeting (the "Meeting") of the Shareholders of CANADA MALTING CO. LIMITED (the "Corporation") will be held at The Royal York Hotel, in the City of Toronto, Ontario, on Thursday, the 26th day of April, 1979, at 11:30 a.m. (Toronto Time), for the following purposes:

1. To receive and consider the report of the Board of Directors and the consolidated financial statements of the Corporation for the year ended December 31, 1978, together with the auditors' report thereon.
2. To consider, and if thought fit, to pass with or without variation a proposed Special Resolution, in the form annexed hereto, amending the Articles of Continuance of the Corporation by removing the distinctions between the Class A and Class B convertible common shares and redesignating them as common shares.
3. To elect a Board of Directors and Honorary Directors to hold office until the close of the next annual meeting.
4. To appoint auditors to hold office until the close of the next annual meeting, at a remuneration to be fixed by the Board of Directors.
5. To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Shareholders who are unable to attend the meeting are requested to date, sign and return the enclosed form of proxy in the envelope provided.

Dated at Toronto, Ontario, this 7th day of March, 1979.

By Order of the Board of Directors,

CHARLES T. CLEGG,
Secretary.

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular accompanies Notice of the Annual and Special General Meeting (the "Meeting") of Shareholders of Canada Malting Co. Limited (the "Corporation") called for Thursday, the 26th day of April, 1979, and is furnished in connection with a solicitation of proxies for use at the Meeting. The report of the Board of Directors for the financial year ended December 31, 1978, including consolidated financial statements, is being mailed to the Shareholders of record concurrently with this Circular.

REVOCABILITY OF PROXIES

A Shareholder giving a proxy has the power to revoke it at any time before it is exercised. A proxy may be revoked (a) by depositing an instrument in writing executed by the Shareholder or by his attorney authorized in writing at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournments thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting or any adjournments thereof, or (b) in any other manner permitted by law.

SOLICITATION OF PROXIES

Proxies for the Meeting are being solicited by the Management of the Corporation. The cost of solicitation will be borne by the Corporation.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Holders of Class A or Class B common shares without par value of the Corporation will be entitled to vote at the Meeting. Each share registered in a Shareholder's name on the date of the Meeting entitles him to one vote. As at February 28, 1979, the Corporation has 751,843 Class A and 119,130 Class B common shares outstanding.

To the knowledge of the Directors and Officers of the Corporation, the only persons who beneficially own or exercise control or direction over shares carrying more than 10% of the votes attached to shares of the Corporation are John Labatt Limited, which owns, controls or directs 122,851 shares, representing 14.11% of the voting shares of the Corporation, and The Molson Companies Limited, which owns, controls or directs 122,851 shares, representing 14.11% of such voting shares.

PROXIES AND VOTING

Shareholders unable to attend the Meeting are requested by Management to complete, sign and return the accompanying form of proxy. Proxies deposited with the Secretary of the Corporation at any time up until the opening of the Meeting may be voted if otherwise valid.

Shares represented by proxies in favour of Management will be voted (subject to any contrary instructions they may contain) for the approval of the report of the Board of Directors and consolidated financial statements for the year ended December 31, 1978, for the approval of the proposed Special Resolution set out below, for the election of Directors and Honorary Directors proposed by Management, and for the appointment of auditors as indicated below.

The enclosed proxy form confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the Notice of the Meeting or other matters that may properly come before the Meeting. Management knows of no such amendments or other matters to come before the Meeting.

A Shareholder has the right to appoint a person (who need not be a Shareholder) as proxyholder to attend and act on his behalf at the Meeting other than the persons designated in the enclosed form of proxy. The Shareholder may exercise this right by inserting the name of his nominee in the space provided in the enclosed form of proxy.

REPORT OF DIRECTORS AND FINANCIAL STATEMENTS

The report of the Board of Directors and the consolidated financial statements for the year ended December 31, 1978 will be placed before the Meeting for its approval. Such approval requires a majority of the votes cast in respect of the resolution.

ELECTION OF DIRECTORS

The present Board consists of ten Directors. The term of office for each Director elected shall be from the date of the Meeting until the close of the next annual meeting or until his successor is elected or appointed. It is proposed that the following will be nominated at the Meeting. A proxy pursuant to this solicitation will be voted for the election of such persons as Directors, unless the proxy provides for withholding shares from voting. If for some reason any of the proposed nominees are unable to serve, the persons named in the proxy will use their best judgment in voting on alternate nominees.

The following are the names of such proposed nominees, all other positions and offices with the Corporation (if any) now held by them, their principal occupations, the years in which they were first elected as Directors of the Corporation, and the approximate number of shares of each class of shares of the Corporation beneficially owned or over which control or direction is exercised by each of such nominees. The information as to each class of such shares of the Corporation so owned, controlled or directed, not being within the knowledge of Management, has been furnished by the respective nominees.

<u>Name of Proposed Nominee</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number of Common Shares Beneficially Owned, Controlled or Directed as of March 6, 1979</u>	
			<u>Class A</u>	<u>Class B</u>
Nigel B. Baird, T.D., B.Sc.	Chairman of Hugh Baird & Sons, Ltd., Scotland.	1963	4	—
Cecil F. Edwards	Vice President of the Corporation which office he has held since 1979 prior to which he was Manager of Grain Division from 1977 and prior to that was President of Dominion Malting Ltd. since 1969.	1979	201	—
Douglas W. Elliott	Vice President, Sales of the Corporation	1978	365	—
Harry F. Graesser	Chairman of the Board of the Corporation	1962	400	1,300
James C. Grant	Vice President and General Manager of the Corporation	1976	900	—
W. Douglas Hatch (A)	Chairman of the Board of T. G. Bright & Co., Limited, Niagara Falls, Ontario.	1959	—	1,400*
John P.G. Kemp (A)	Corporate Director and Consultant to The Molson Companies Limited	1978	—	—**
Wallace F. Read (A)	Senior Vice-President, Consumer Products Group, John Labatt Limited, London, Ontario.	1975	—	—***
George H. Sellers	President, Sellers, Dickson Securities Ltd., Winnipeg, Manitoba.	1960	4	400
Reginald J. Thomas	President and Chief Executive Officer of the Corporation.	1966	—	2,000

(A) Member of the Audit Committee, of which W. Douglas Hatch is Chairman.

*These shares are in addition to 16,592 Class B common shares held in trusts, from which W. Douglas Hatch receives the life income.

**Holds in his own name one share of the Corporation which is beneficially owned by the Molson Companies Limited.

***Holds in his own name one share of the Corporation which is beneficially owned by John Labatt Limited.

ELECTION OF HONORARY DIRECTORS

Shareholders may elect as an Honorary Director any Shareholder who was a member of the Board of Directors at the time of the commencement of the first annual meeting of Shareholders after he attained the age of seventy years. It is proposed that the undermentioned will be nominated at the Meeting.

<u>Name</u>	<u>Number of Common Shares Beneficially Owned, Controlled or Directed as of March 6, 1979</u>
Leonard G. Lumbers Gordon McMillan, Q.C.	1 Class A 200 Class A

Mr. Lumbers is Chairman of Noranda Manufacturing Ltd., Toronto, Ontario, and was a Director of the Company from 1974 to 1979.

Mr. McMillan is a partner in the law firm of McMillan, Binch, Toronto, Ontario, and was a Director of the Company from 1946 to 1974 and has been an Honorary Director since 1974.

REMUNERATION OF MANAGEMENT AND OTHERS

STATEMENT

DIRECTORS' AND OFFICERS' REMUNERATION FROM THE CORPORATION AND ITS AFFILIATES

NATURE OF REMUNERATION EARNED

	Directors' fees	Salaries	Bonuses	Non-accountable expense allowance	Others	Total
REMUNERATION OF DIRECTORS						
(A) Number of Directors: 10	\$27,070	—	—	—	—	\$ 27,070
(B) Body Corporate incurring the expense: The Corporation						
REMUNERATION OF OFFICERS						
(A) Number of Officers: 7	—	\$315,905	—	—	—	315,905
(B) Body Corporate incurring the expense: The Corporation						
TOTALS	\$27,070	\$315,905	—	—	—	\$342,975

Estimated aggregate cost to the Corporation and its subsidiary in 1978 of all benefits proposed to be paid to the seven officers of the Corporation under existing pension or retirement plans on retirement at normal retirement age is \$24,635.

For 1978, consulting fees and retirement allowances paid pursuant to agreements with officers retired from active employment totalled \$54,917 and \$102,799 is the total of all amounts proposed to be paid in the future under such or similar arrangements.

STOCK OPTIONS

During 1978 officers of the Corporation as a group have exercised options to purchase Class A common shares under the Corporation's Employee Stock Option Plan as follows:

<u>Shares Purchased</u>	<u>Purchase Price Per Share</u>	<u>Price Range of Shares on the Toronto Stock Exchange in 30 Day period preceding purchase</u>
100	\$22.28	\$25 ½ - \$28-1/8
100	\$22.28	\$25 ½ - \$27 ¼
100	\$22.28	\$30 - \$33 ½
300	\$22.28	\$30 - \$33 ½
100	\$22.28	\$30 - \$32 ½

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation provides liability insurance for Directors and Officers of the Corporation and its subsidiary in those capacities. Under this insurance coverage the Corporation is insured against any loss arising out of any liability it may have to indemnify a Director or Officer, and individual Directors and Officers are insured for losses arising during the performance of their duties for which they are not indemnified by the Corporation. Exclusions from coverage on such individual Director and Officer insurance include, amongst others, acts of dishonesty and acts which result in personal profit. There is a policy limit of \$5,000,000 per occurrence, subject to deductibles of \$25,000 in respect of the Corporation's indemnity coverage, and \$5,000 per occurrence in respect of the individual Director and Officer coverage-subject to an aggregate deductible limit of \$10,000. In addition, five percent (5%) of the first \$1,000,000 of any claim is deductible in all cases. The entire premium cost in the aggregate amount of \$5,736.33 for the financial year ended December 31, 1978 was borne by the Corporation.

APPOINTMENT OF AUDITORS

Price Waterhouse & Co. have been auditors of the Corporation since 1927. The persons named in the accompanying form of proxy intend to vote for the re-appointment of Price Waterhouse & Co. as auditors of the Corporation at a remuneration to be fixed by the Board of Directors, unless a proxy provides for withholding shares from voting.

SPECIAL RESOLUTION

The Corporation originally created Class A and Class B convertible shares to enable Shareholders, who so desired, to receive tax-free dividends by holding Class B shares, which dividends resulted in a reduction of such Shareholders' adjusted cost base for capital gains tax purposes.

Recent amendments to the Income Tax Act of Canada (the "Act") have provided for the end of this special dividend tax treatment after 1978. There is now no reason to continue the distinctions between the Class A and Class B shares for the aforementioned purposes. The proposed Special Resolution set out below provides for the removal of distinctions between the Class A and Class B shares and for their redesignation as common shares. The foregoing amendments will have no other effects on the Shareholders' rights.

In the opinion of counsel to the Corporation, such capital reorganization will have no Canadian tax consequences for Shareholders. The Corporation has not sought any opinions from counsel in jurisdictions outside Canada with respect to tax consequences outside Canada of such capital reorganization for Shareholders who are non-residents of Canada.

It will not be necessary for the Corporation to reissue new share certificates. However, the Corporation will be arranging to create new forms of share certificates for the convenience of those Shareholders who may wish to have such new forms.

Approval as a Special Resolution requires passage by a majority of not less than two-thirds of the votes cast in respect of the resolution in separate votes by each of the Class A and Class B Shareholders.

Any Shareholder may dissent from the action to be taken in the proposed Special Resolution and, upon complying with section 184 of the Canada Business Corporations Act, is entitled to be paid by the Corporation the fair market value of the shares held by him in respect of which he dissents. A dissenting Shareholder must claim under section 184 in respect of all shares held by him. A dissenting Shareholder must send to the Corporation, at or before the Meeting, a written objection to the proposed Special Resolution. If the Corporation and the dissenting Shareholder cannot agree on the fair market value of the shares to be purchased by the Corporation, the Corporation may apply to the Court for an order fixing the fair market value, failing which the dissenting Shareholder may so apply.

The undersigned hereby certifies that the contents and the sending of this Management Proxy Circular have been approved by the Directors of the Corporation.

TORONTO, Ontario
March 7, 1979

CHARLES T. CLEGG
Secretary

**SPECIAL RESOLUTION OF THE SHAREHOLDERS
OF
CANADA MALTING CO. LIMITED**

(being a special resolution providing for the alteration of the capital of the Corporation)

WHEREAS the capital of the Corporation consists of Class A convertible common shares ("Class A Shares"), and Class B convertible common shares ("Class B Shares");

AND WHEREAS under the terms attaching to the Class A Shares and Class B Shares, the Class A Shares and Class B Shares are interconvertible;

AND WHEREAS it is desirable for the Corporation to alter its capital as provided in this special resolution and for the Corporation to file articles of amendment for such purpose:

NOW THEREFORE BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The capital of the Corporation is hereby altered by:
 - (a) repealing the preferences, rights, conditions, restrictions, limitations or prohibitions attached to the Class A Shares and Class B Shares as contained in Schedule "A" of the articles of continuance of the Corporation as evidenced by a Certificate of Continuance dated June 7, 1978;
 - (b) providing that the Corporation is authorized to issue an unlimited number of shares of one class ("Common Shares") the holders of which are entitled to vote at all meetings of shareholders and to receive the remaining property of the Corporation upon a dissolution;
 - (c) redesignating the existing Class A Shares as Common Shares; and
 - (d) redesignating the existing Class B Shares as Common Shares.
2. Any one of the directors or officers of the Corporation is hereby authorized and directed to sign any or all documents and to do any or all things necessary or desirable to carry out the provisions of this special resolution, including the execution and delivery to the Director under the Canada Business Corporations Act of articles of amendment for such purpose.

**PREFERENCES, RIGHTS, CONDITIONS, RESTRICTIONS,
LIMITATIONS OR PROHIBITIONS AS CONTAINED IN SCHEDULE "A"
OF THE ARTICLES OF CONTINUANCE OF THE CORPORATION,
WHICH ARE BEING REMOVED BY THE AFORESAID
SPECIAL RESOLUTION**

1. Subject to paragraph 2 below, the Class A shares and the Class B shares shall rank equally as to dividends and all dividends declared in any financial year shall be declared and paid in equal or equivalent amounts per share on all the Class A shares and all the Class B shares at the time outstanding without preference or distinction. The directors may in declaring any or all such dividends on the Class A shares and the Class B shares provide for payment thereof in whole or in part in the manner set forth in paragraph 2 below.
2. In declaring dividends the directors may, subject to the provisions of the Canada Business Corporations Act, at any time and from time to time provide, without making any such provision in respect of payment of dividends on the Class A shares, for the payment of dividends on the Class B shares by way of a cash dividend out of tax-paid undistributed surplus on hand or out of 1971 capital surplus on hand as defined in the Income Tax Act of Canada, as may be amended or re-enacted from time to time, provided, always, however, that no such provision for payment may be made by the directors in respect of any such dividend on the Class B shares unless, contemporaneously with the making of such provision, the directors declare a cash dividend payable at the same time as the said dividend on the Class B shares, on each Class A share then outstanding in an amount equal to the sum of:
 - (i) The cash dividend payable at that time on each Class B share then outstanding, plus
 - (ii) In the case of a dividend on the Class B shares paid out of tax-paid undistributed surplus on hand, the amount (to the nearest 1/10th of 1 cent) of tax paid or to be paid by the corporation and/or by one or more of its subsidiary corporations pursuant to the provisions of the Income Tax Act of Canada, as may be amended or re-enacted from time to time, or under the provisions of the predecessor statutes, to create the tax-paid undistributed surplus on hand to be applied toward the payment of the cash dividend payable at that time on each Class B share then outstanding.
3. Each issued and fully paid Class A share may at any time, at the option of the holder, be converted into 1 Class B share. The conversion privilege herein provided for may be exercised by notice in writing given to a transfer agent of the corporation accompanied by the certificate or certificates representing the Class A shares in respect of which the holder thereof desires to exercise such right of conversion and such notice shall be signed by the person registered on the securities register of the corporation as the holder of Class A shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify the number of Class A shares which the holder desires to have converted. The holder shall also pay any governmental or other tax imposed in respect of such transaction. Upon receipt of such notice the corporation shall issue certificates representing fully paid Class B shares upon the basis above prescribed and in accordance with the provisions hereof to the holder of the Class A shares represented by the certificate or certificates accompanying such notice; if less than all the Class A shares represented by any certificate are to be converted, the holder shall be entitled to receive a new certificate for the Class A shares representing the shares comprised in the original certificate which are not to be converted.
4. Each issued and fully paid Class B share may at any time, at the option of the holder, be converted into 1 Class A share. The conversion privilege herein provided for may be exercised by notice in writing given to a transfer agent of the corporation accompanied by the certificate or certificates representing the Class B shares in respect of which the holder thereof desires to exercise such right of conversion and such notice shall be signed by the person registered on the securities register of the corporation as the holder of Class B shares in respect of which such right is being exercised or by his duly authorized attorney and shall specify the number of Class B shares which the holder desires to have converted. The holder shall also pay any governmental or other tax imposed in respect of such transaction. Upon receipt of such notice the corporation shall issue certificates representing fully paid Class A shares upon the basis above prescribed and in accordance with the provisions hereof to the holder of the Class B shares represented by the certificate or certificates accompanying such notice; if less than all the Class B shares represented by any certificate are to be converted, the holder shall be entitled to receive a new certificate for the Class B shares representing the shares comprised in the original certificate which are not to be converted.

5. All shares resulting from any conversion of issued and fully paid Class A shares shall become issued Class B shares and shall be deemed to be fully paid and non-assessable. All shares resulting from any conversion of issued and fully paid Class B shares shall become issued Class A shares and shall be deemed to be fully paid and non-assessable.
6. Each holder of Class A shares shall be entitled to receive notice of and to attend all meetings of shareholders of the corporation (except class meetings of other classes of shareholders at which he is not entitled to be present or vote) and at all such meetings shall be entitled to 1 vote in respect of each Class A share held by him.
7. Each holder of Class B shares shall be entitled to receive notice of and to attend all meetings of shareholders of the corporation (except class meetings of other classes of shareholders at which he is not entitled to be present or vote) and at all such meetings shall be entitled to 1 vote in respect of each Class B share held by him.
8. In the event that the Class A shares and/or Class B shares are at any time sub-divided, consolidated, converted (except for the conversion of Class A shares into Class B shares or Class B shares into Class A shares pursuant to paragraphs 3 and 4 hereof) or exchanged for a greater or lesser number of shares of the same or another class, appropriate adjustment shall be made in the provisions attaching to the Class A shares and to the Class B shares so as to maintain and preserve the rights of the holders of shares of each of the said classes respectively.
9. In the event of any liquidation, dissolution or winding-up of the corporation or other distribution of the assets of the corporation amongst its shareholders for the purpose of winding-up its affairs, the holders of the Class A shares and the holders of the Class B shares shall be entitled to share equally, share for share, in all distributions of the assets of the corporation.
10. Subject to confirmation by articles of amendment, the directors may, in the manner required, from time to time, alter, amend, or repeal the foregoing paragraphs or duly have the application thereof suspended in any particular case and changes made in the provisions attaching to the Class A shares and Class B shares respectively, but no alteration, amendment, repeal, suspension or change shall be effective or acted upon unless and until sanctioned, at a meeting of the holders of the Class A shares and at a meeting of the holders of the Class B shares (which may be held concurrently) in each case called for considering any such alteration, amendment, repeal, suspension or change, by resolutions carried by the affirmative vote of the holders of not less than 66-2/3% of the Class A shares and of the holders of not less than 66-2/3% of the Class B shares represented and voted at any such meetings, respectively, which vote by each class shall be taken separately, in addition to such other vote (including the vote of other classes of shareholders) as may be required by the Canada Business Corporations Act, or the provisions attaching to such other class or classes. The formalities to be observed with respect to the giving of notice of any meeting of the Class A and/or Class B shareholders and the conduct thereof and the quorum therefor shall mutatis mutandis be those from time to time prescribed in the by-laws of the corporation with respect to meetings of shareholders.

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Head Office

Box 248 - Terminal A
TORONTO - ONTARIO

CANADA MALTING
CO. LIMITED

CANADA MALTAGE
CIE LIMITÉE



REPORT TO
SHAREHOLDERS

Malthouses and Elevators

Montreal, Que. Winnipeg, Man.
Toronto, Ont. Calgary, Alta.
Thunder Bay, Ont.

For the Six Months
ended June 30, 1978

Consolidated Earnings for the Six
Months ended June 30 (unaudited)

TO OUR SHAREHOLDERS:

The Company's earnings for the six month period ended June 30, 1978 were \$2,595,758 or \$2.99 per common share compared with earnings of \$2,382,735 or \$2.76 per share for the same period in 1977.

As shown in the Note to our Earnings Statement, 1977 earnings were restated to give effect to the 3% inventory allowance enacted by the Federal Government in December 1977.

Total volume of shipments was slightly higher than last year due to increased deliveries to our export markets. Our domestic shipments have been adversely affected in Western Canada by strikes in the brewing industry which are still continuing in two of the provinces at this time.

On behalf of the Board,

Reginald J. Thomas,
President.

TORONTO, Ontario
August 2, 1978.

	<u>1978</u>	<u>1977</u>
Net sales	\$54,171,154	\$60,963,322
Costs and expenses:		
Cost of products sold and all expenses except items shown below:	48,117,407	54,813,863
Interest on long term debt	24,000	28,000
Bank and other interest	356,785	894,759
Property rentals	297,064	297,186
Provision for depreciation	1,118,040	1,022,779
Provision for income taxes	<u>1,662,100</u>	<u>1,524,000</u>
	<u>51,575,396</u>	<u>58,580,587</u>
Net earnings for the period	<u>\$ 2,595,758</u>	<u>\$ 2,382,735</u>
Net earnings per share	\$2.99	\$2.76

Note: Earnings for 1977 have been restated to give effect to the 3% inventory allowance enacted by the Federal Government in December 1977.

Consolidated Statement of Changes in Financial
Position for the Six Months ended June 30

	<u>1978</u>	<u>1977</u>
Source of Working Capital:		
Net earnings	\$ 2,595,758	\$ 2,382,735
Non-cash charges deducted in arriving at earnings —		
Provision for depreciation	1,118,040	1,022,779
Deferred income taxes	40,000	(30,000)
Amortization of prepaid rent	<u>250,413</u>	<u>250,413</u>
Funds provided from operations	4,004,211	3,625,927
Shares issued under employees' stock option plan	<u>17,378</u>	<u>—</u>
	<u>4,021,589</u>	<u>3,625,927</u>
Use of Working Capital:		
Additions to fixed assets	1,356,036	905,484
Dividends on common shares	694,370	592,750
Tax paid on undistributed income	<u>—</u>	<u>12,360</u>
	<u>2,050,406</u>	<u>1,510,594</u>
Resulting in an increase in working capital of	1,971,183	2,115,333
Working capital at January 1	<u>24,375,740</u>	<u>22,253,258</u>
Working capital at June 30.	<u>\$26,346,923</u>	<u>\$24,368,591</u>